**TO:** Chair and Members  
Public Works Committee  

**WARD(S) AFFECTED:** CITY WIDE

**COMMITTEE DATE:** September 20, 2010

**SUBJECT/REPORT NO:**  
Transit Shelter Advertising Agreement (TOE01061b) - (City Wide)

**SUBMITTED BY:**  
Gerry Davis, CMA  
General Manager  
Public Works Department

**PREPARED BY:**  
Nancy Purser  
Manager, Transit Support Services  
(905) 546-2424, Extension 1876

**SIGNATURE:**

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**RECOMMENDATION:**

(a) That the Mayor and City Clerk be authorized to execute the revised transit shelter advertising agreement with CBS Outdoor Advertising (CBS) for the period 2011 to 2015 in the form satisfactory to the City Solicitor;

(b) That where appropriate staff be authorized to eliminate the front facing glass wall in transit shelters as a means of mitigating cost and vandalism;

(c) That staff be authorized to utilize CBS Outdoor Advertising to add, remove, relocate or install transit shelters and to replace shelter glass walls as deemed necessary from time to time;

(d) That the City of Hamilton, Corporate Services Department set up a Transit Shelter Capital Reserve in the amount of $175,000 to be utilized to fund the addition, removal, relocation or installation of transit shelters and to replace shelter glass walls as deemed necessary from time to time.

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**EXECUTIVE SUMMARY**

The purpose of this report is to seek Council’s approval to enter into an amended transit shelter advertising agreement with CBS.

Report TOE01061(a), dated March 22, 2010, advised Council that CBS had sent notice of their intent to exercise their option to early termination of the contract with the City on December 31, 2010. Staff received authorization at that time to enter into negotiations
with CBS respecting amendments to the existing transit shelter advertising agreement for the period 2011 to 2015, in a form acceptable to the General Manager of Public Works, Purchasing and Legal Services.

The amended agreement for years 2011 - 2015 reduces the operating budget revenue for the transit program, an estimated $225,000 per year based on actual experience in 2009 (anticipated to be the lowest advertising revenue year over the remaining balance of the 15-year term), and returns transit shelter ownership to City, while CBS continues to be responsible for all costs related to the Transit Shelters and the Shelter Ancillary Components to manufacture, install, clean and maintain including electrical usage fees. One-time compensation of $175,000 has been offered to the City from CBS to offset Capital adjustments. All 266 of the City’s shelters with advertising caissons were replaced by CBS in the first 5 years of the contract. 156 non-advertising shelters were refurbished and the shelter inventory was expanded by 74 from 483 shelters to 557. As such, the shelter inventory will be returned to the City with a higher asset value, due to the lower overall average age of the assets. The City will be responsible for the costs associated with additions, removals or relocations of any existing transit shelters and for any shelter glass walls deemed for replacement by City due to excessive scratching and/or acid etching. CBS will be responsible for removal of all other types of graffiti and for shelter glass replacement due to breakage from vandalism.

Through the negotiation process it was agreed that the City would look at eliminating the front facing glass shelter wall where it may be appropriate in an attempt to reduce opportunities for graffiti and vandalism. Other measures may also be contemplated including, sandblasting the shelter glass walls and installation of vinyl wrap advertising on non-advertising transit shelters. Furthermore, CBS agreed to continue to supply and install at the City’s expense, the addition, removal, relocation or installation of transit shelters and for replacement shelter glass walls as deemed necessary.

Staff has had an opportunity to survey other municipalities and are able to confirm that bus advertising contract renewals in recent years have experienced dramatic declines in benefits to the municipality relative to historical experience. Also, there are very few advertising agencies with demonstrated history of success in the industry that are bidding on Requests for Proposals (RFP). For this reason, staff are recommending the approval of this revised agreement with CBS.

Alternatives for Consideration - See Page 4

**FINANCIAL / STAFFING / LEGAL IMPLICATIONS**

**Financial:** The amended agreement will have a negative impact on the Transit operating budget for 2011, as Advertising Revenues will be reduced by an estimated $225,000 from 2010 ($275,000 from the original contract amount for 2011–2015). The City will receive a “one-time” amount of $175,000.

**Staffing:** No Staffing implications.

**Legal:** The amended agreement has been reviewed and is satisfactory to both Legal and Purchasing.
HISTORICAL BACKGROUND

In June, 2001 Committee of the Whole authorized the General Manager of Transportation, Operations and Environment, or his designate, to negotiate and enter into an amendment to the existing contract between the City of Hamilton and Mediacom Inc. (now CBS) regarding the sale of advertising on transit shelters and the replacement and maintenance of the bus shelter capital program. The agreement, acceptable to Legal Services, was executed in February, 2002 for a term starting January 1, 2001 and expiring on December 31, 2015. The City of Hamilton received a one time payment of $733,000 at the commencement of the agreement and annual guaranteed minimum revenue payments starting at $275,000 in 2001 and increasing by $50,000 in 5-year intervals to expected payments of $375,000 per year between 2011 and 2015. The City has received the 2010 guaranteed revenue payment of $325,000.

While this agreement has been beneficial to the municipality, CBS has stated that they have experienced successive years of losses due to declining sales and rising maintenance costs and are no longer prepared to sustain annual losses. They have expressed an interest in negotiating an amended contract for the final five year period in the alternative to outright cancellation effective December 31, 2010.

The following table depicts the amendments to the agreement negotiated with CBS and the monetary impacts to the City;

<table>
<thead>
<tr>
<th>Amendments</th>
<th>Item</th>
<th>Original 2011</th>
<th>Budget 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>3.2 Revised to transfer ownership back to City</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>2</td>
<td>4.7 Glass Replacement for scratching / acid etching</td>
<td>$0</td>
<td>($175,000) capital</td>
</tr>
<tr>
<td>3 &amp; 4</td>
<td>5.1b &amp; 5.2 Elimination of annual addition of 15 transit shelters for the years 2009 - 2015</td>
<td>$98,900 capital</td>
<td>$0</td>
</tr>
<tr>
<td>5</td>
<td>5.16 Eliminate shelter re-location requirement for CBS</td>
<td>$0</td>
<td>($15,000) capital</td>
</tr>
<tr>
<td>6</td>
<td>7.1 Add clarification that it is the City’s responsibility to maintain for glass scratching / acid etching replacements</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>7</td>
<td>10.4 Language change for shelter numbering system</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>8</td>
<td>12.2 Allow advertising in non advertising shelters</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>9</td>
<td>16 Reduce Letter of Credit from $375,000 to $50,000</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>10</td>
<td>21.1(a) Delete guaranteed revenue for the years 2011 to 2015</td>
<td>$375,000</td>
<td>$0</td>
</tr>
<tr>
<td>10</td>
<td>21.1 (b) Add 25% of Net Revenue for the years 2011 - 2015 (estimated based on 2009 revenues)</td>
<td>$0</td>
<td>$100,000</td>
</tr>
<tr>
<td>10</td>
<td>21.1 (c) Delete</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>11</td>
<td>NEW One time payment for replacement of shelter glass walls</td>
<td></td>
<td>$175,000 capital</td>
</tr>
<tr>
<td></td>
<td>Net Revenues (Note: $225,000 net base budget impact)</td>
<td>$375,000</td>
<td>$100,000</td>
</tr>
</tbody>
</table>
Vision: To be the best place in Canada to raise a child, promote innovation, engage citizens and provide diverse economic opportunities.

Values: Honesty, Accountability, Innovation, Leadership, Respect, Excellence, Teamwork

**POLICY IMPLICATIONS**

N/A

**RELEVANT CONSULTATION**

Finance & Corporate Services, Purchasing and Legal Services have been advised of the notice of agreement termination by CBS.

**ANALYSIS / RATIONALE FOR RECOMMENDATION**

In their notice of intent to terminate the Bus Shelter Advertising Agreement, CBS cites the unpredictability of economic and market conditions, resulting in soft advertising revenues, combined with a level of extreme transit shelter vandalism, with resulting maintenance costs exceeding those of all Canadian markets where this street advertising contractor operates. CBS has concluded that the business plan upon which the existing transit shelter agreement with the City of Hamilton was modelled is no longer sustainable. CBS will no longer accept the remaining annual guaranteed revenue provisions of the current agreement and are also seeking exemption from the annual capital commitments and specific glass maintenance tasks that the agreement requires.

Given the risk and financial exposure faced by the City of Hamilton should the present transit shelter agreement be terminated and the fact that CBS is receptive to a renegotiation of the current agreement, staff is of the view that it is in the City of Hamilton’s best interests to enter into a revised agreement for the 2011 to 2015 period that results in a minimization of the City of Hamilton’s risk exposure, as appropriate under the present circumstances.

**ALTERNATIVES FOR CONSIDERATION:**

Council could direct staff to proceed directly to an RFP for bus shelter advertising effective January 1, 2011.

CBS has also expressed a willingness to allow the contract to lapse on December 31, 2010 and negotiate contract terms and conditions for continuing on a month-to-month basis.

**CORPORATE STRATEGIC PLAN**

Focus Areas: 1. Skilled, Innovative and Respectful Organization, 2. Financial Sustainability,

3. Intergovernmental Relationships, 4. Growing Our Economy, 5. Social Development,

6. Environmental Stewardship, 7. Healthy Community

**Skilled, Innovative & Respectful Organization**

- Council and SMT are recognized for their leadership and integrity.
Financial Sustainability
• Delivery of municipal services and management capital assets/liabilities in a sustainable, innovative and cost effective manner.

Healthy Community
• Plan and manage the built environment.

APPENDICES / SCHEDULES

None